Department of the Navy Human Resources Transformation

Presentation to

Defense Department Advisory Committee on Women in the Services (DACOWITS)

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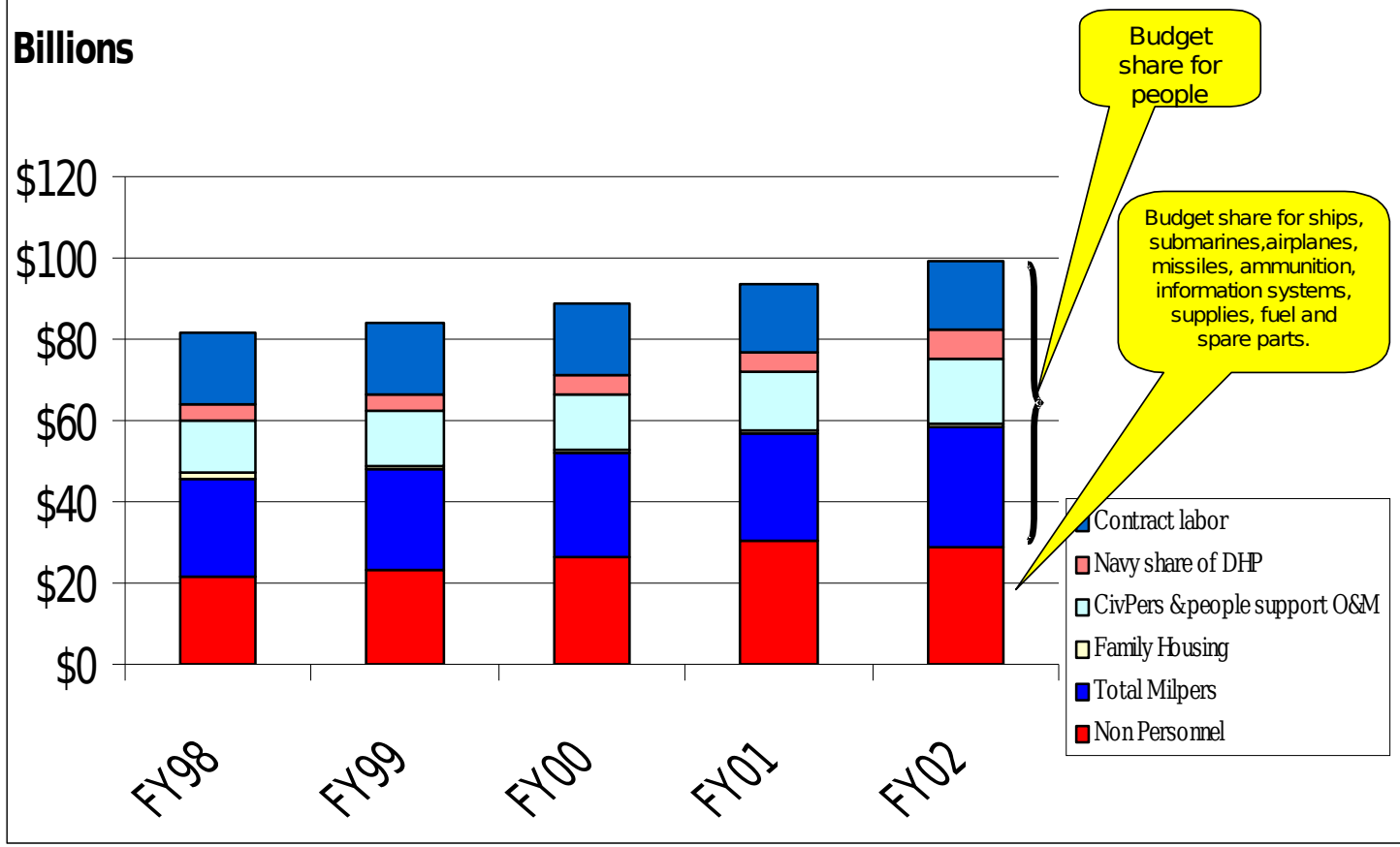
SecDef Priorities

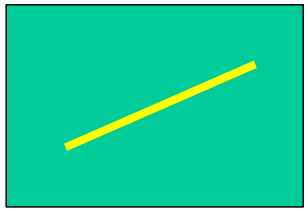
- **Transformation**
  - Create the naval force that will serve America's future needs.
    - Lighter, more agile, easily deployable units
    - Reward innovation and risk-taking
- **Force Manning**
  - Develop a 21st Century human resource approach.
    - Flexible, adaptable, responsive

From SecDef's Top Ten

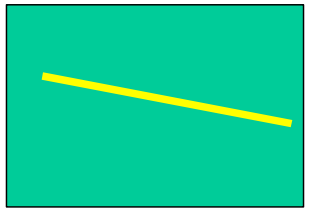
DON Spends 70% of Budget on People



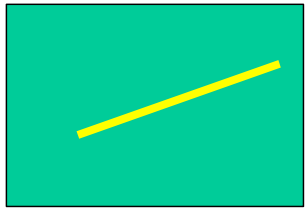
Even at a Billion Dollars per day



Mission/Tempo



Personnel



Personnel Costs

There is not enough money!

Transforming the military personnel model

"Steel Mill" Model

- Conscription mentality – people are cheap
- Equipment and technology are expensive
- Human Systems Integration is too difficult
- Science & Technology budget ignores human performance
- Training for rote performance
- Compensation is back-loaded (deferred to retirement) and paternalistic
- Roles and Missions – still fighting the Cold War

"Info-Centric" Model

- Trained, skilled people are expensive, but worth it
- Technology is cheap and flexible
- Human Performance drives design and procurement
- Investing in the workforce makes good economic sense
- Train to excellence
- Market-oriented compensation system
- New missions – enhance capabilities to respond to asymmetric threats

A vision of tomorrow

Today

- Closed-system, single model of a 20-year career
- Rigid pay & benefits system
- Assignment system leaves everybody dissatisfied
- “All-or-nothing” retirement benefits vest only after 20 years
- “Up or out” forces good people out of the military
- “Skipping across the waves” in short tours; many household moves
- Volunteers are scarce, difficult and expensive to recruit; evidence of “careerism”

Tomorrow

- Flexible career paths (active-reserve-civilian mix), permitting time out for other pursuits
- Negotiated pay & benefits
- “Win-Win” assignment system accommodates personal preferences
- Portable retirement funds, early vesting & matching contributions
- Technical skills recognized; longer careers possible
- Longer tours; better match of people with jobs across the Total Force
- Broader appeal to develop many citizen-soldiers, who are ready to serve when needed

How DACOWITS can help us transform

- Help us change what needs to be changed, but preserve and enhance our best qualities and capabilities.
- Don’t forget –
  - Military Readiness.
  - Limited resources sometimes mean hard choices.
  - Our challenge is to manage risks wisely while constantly moving ahead.

BACKUP SLIDES

Naval Human Resources
Our Total Force

	Navy	USMC	Total
Active Duty	383,427	173,710	557,137
Reserves	87,944	39,558	127,502
Dependents	1,124,992	376,203	1,501,195
Civilian	172,294	13,715	186,009
Contractor	-	-	181,000
Retirees	435,960	91,321	527,281
TOTAL	2,204,617	694,507	2,899,124

How can we avoid a "shipwreck"?

- We need to align our total force so that we have the right people in the right place at the right time.
- We need to make better use of technology – *e.g.*, human systems integration (HSI).
- We need to modernize our personnel systems to fit modern lives.

Some areas for transformation

Technology

- Industrial Age vs. Information Age

Sources of Talent

- Closed System vs. Lateral Entry

Value

- Seniority vs. Productivity

Tenure

- Waiting for the Gold Watch vs. Reaching for the Gold Ring

Direct Compensation

- Basic Pay
- Special Pays
- Incentive Pays
- Re-enlistment Bonuses
- 30 days Paid leave each year
- Tax-free Allowances:
  - Subsistence Allowance
  - Housing Allowance
  - Clothing Allowance
- Combat Zone Exclusions

Indirect Compensation

- Inexpensive Life Insurance
- Comprehensive Medical & Dental Care
- Commissary & Exchange Savings
- Retirement Value
- Tax Advantage
- Tuition Assistance
- Disability Benefits
- Sick Leave
- Death & Survivor Benefits

Entitlements – Fringe Benefits

- Free Basic Legal Services
- Generous Retirement Plan after 20 Years
- Free Disability Insurance
- Educational Services
- Family Services
- “Space-A” Travel
- Quality Child Care at reasonable rates
- Regular Professional Training & Education
- Inexpensive MWR Facilities & Opportunities:
  - Fitness Centers
  - Golf Courses
  - Movie Theaters
  - Equipment Rentals
  - Tours
  - Hobby Shops
  - Swimming Pools
  - Tennis Courts
  - Flying & Scuba Clubs

Today's pay, allowances and benefits system

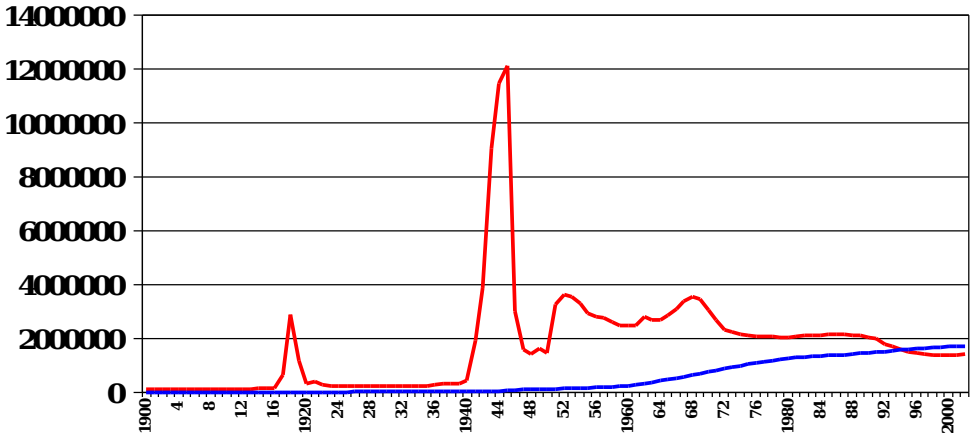
- Inflexible – largely determined by statute
- Uncoordinated – constant targeted changes
- Uneconomical – reflects conscription mindset (people are cheap)
- Paternalistic – ignores or restricts individual choices
- Outdated – based on single model of 20-year career
- Actuarially unsound – retirees live longer than they serve!

Tomorrow's compensation system should be

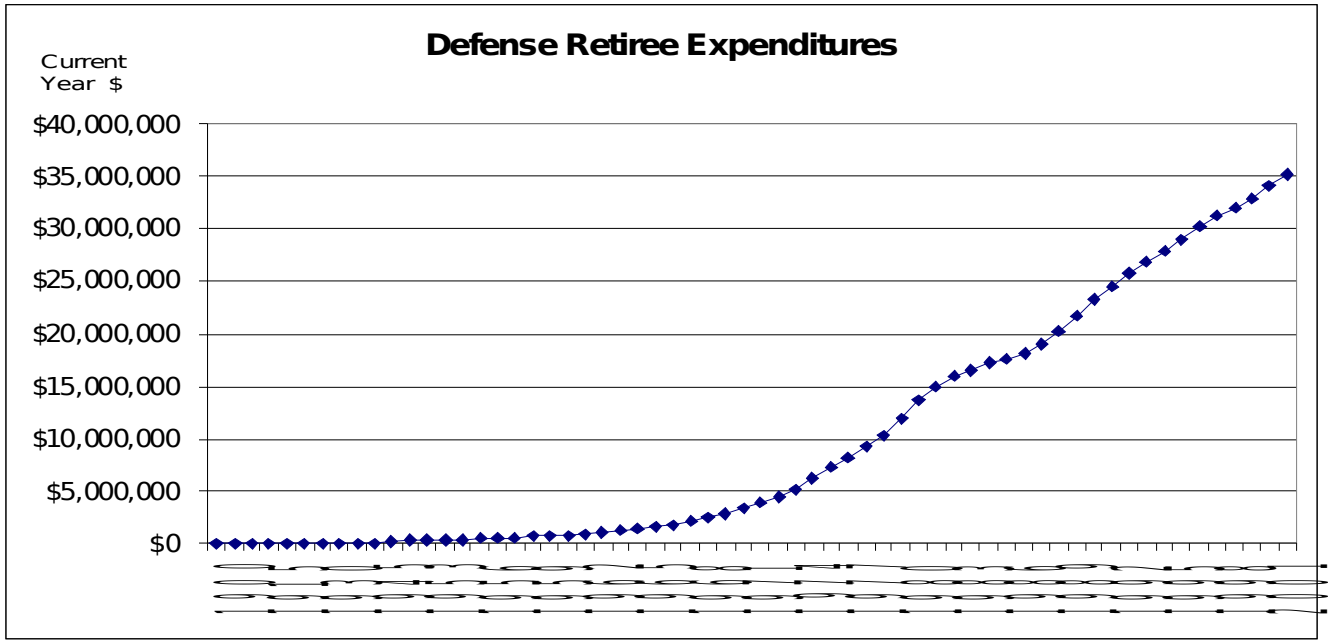
- Flexible – "turn on a dime" when conditions demand
- Coordinated – internally consistent; focused on value, performance
- Economical – keep in mind that "people are expensive; technology is cheap"
- Mutual – let individuals bargain, pursue own choices
- Adaptable – for a variety of future career paths
- Actuarially sound – avoid "waiting for dead men's shoes"

Numbers of retirees

Recipients of Military Pensions Have Increased …While the Active Duty Force Has Shrunk



Defense Retiree Expenditures



Source: DoD Actuary Statistical Report - 2001